

## FY23 BUDGET NARRATIVE

**Bottom line:** The path out of the pandemic is not a linear one, but a final round of government support plays a key role in year's budget and helps to build toward a post-covid Cantus. While acknowledging the uncertainty of the moment, this reasonably conservative budget, and its deficit, stem not from organizational instability but rather from an intentional investment in Cantus' future.

**The proposed budget is the portion in the box at the right side of the financial document. The other columns are for reference and context only.**

**One-time opportunities:** We are eligible for a one-time Employee Retention Tax Credit that is likely to net significant money (approx. \$120,000 net). This money has not been received yet, and the federal program remains open for another year. Additionally, we have a goodbye grant of \$60,000 from the McKnight Foundation that can be designated for use with board approval. This money was received in FY22 and could be board-designated for release next FY.

**How is this sustainable?** Without the one-time funding sources listed above, FY23 would have a deficit of approx. \$180,000. However, this, in part, stems from unique moments in the pandemic's evolution and Cantus' rebound.

- Touring in FY23 is a shadow of its pre-pandemic levels. Next season, we are on track to gross about \$250,000 – double FY20, but very roughly half of FY18 and FY19. (FY18: \$414K and FY19: \$504K) Additionally, Stephanie's departure from IMG left us without an advocate who was actively promoting us. Our recent move to MKI Artists is an investment in returning to more robust touring numbers in future seasons, especially as the sector begins to recover and work through a backlog of rescheduled events.
- We've expanded staff capacity this spring by filling a long-vacant revenue-generating position. Without this position, Cantus has managed to raise approx. \$262K in individual giving in recent years. The FY23 budget accounts for the expense of adding the new position – but acknowledges that it takes time for even a talented and promising development manager to get his feet under him. With that in mind, the individual giving goal has remained level at \$262K, though I expect it would increase in future seasons.
- Representatives of the board, ensemble, and staff are at work with 8 Bridges on a new strategic plan – one that emphasizes organizational capacity, maximizing the potential of our digital audiences, and rethinking our education offerings, among other items.

**Speaking of which: how does the strategic plan factor in?** We have, essentially, a break-even budget if we were to continue as close to “normal” as possible. **However, our evolving strategic plan allows us to invest some of our reserves in the organization’s future.**

While the specifics are still evolving, as Brian will discuss on Monday, a few areas of focus are emerging:

- Personnel: We have an opportunity to build organizational capacity by adding expertise, most likely in the realm of audience-development/digital/marketing. What’s factored in is a good-faith estimate of one full-time and one part-time position being filled mid-year, though how this precisely manifests is still in development.
- Consulting support, specifically around maximizing our potential in digital marketing, and decision/accountability mapping.
- Professional development

**Biggest opportunities and risks:**

- Opportunities:
  - Last-minute tour engagements: Even established presenters like Miami University in Oxford, Ohio, are still putting together their 2022-23 seasons, and we’ve had two new engagements pop up within the last week alone.
  - Individual giving: I have not budgeted an increase over the last two FYs to acknowledge the ramp-up period a new development manager faces – but I also think our new colleague is well positioned to exceed expectations!
  - Special events: The return of Cantus Idol and My Cantus Valentine have been budgeted very conservatively.
- Risks:
  - Unpredictability of MSAB: I’ve included a \$25K creative support grant from the state. I believe this is a reasonable expectation – but it is not a guarantee. Notification will be in the fall.
  - Unpredictability of macro-factors well beyond our control, specifically inflation and covid: Flights and ground transportation costs are particular vulnerabilities for inflation. Another resurgence, or two or three, of covid could further dampen in-person attendance at home concerts, or require the cancelation or postponement of performances.

Category	What’s included?	What are the core assumptions?
a. Individual Donations	Annual fund, major gifts (but not gifts tied to special events)	<ul style="list-style-type: none"> <li>• Estimate, at least for now, based on where we landed in FY20 and FY21.</li> <li>• Does not immediately pressure Zac to move mountains as he settles in, though I suspect he may well make considerable headway in his first year.</li> </ul>

Cantus FY23 Budget Narrative  
 July 2022

b. Event Income	Cantus Idol, plus a small fall fundraiser and My Cantus Valentine	<ul style="list-style-type: none"> <li>• The return of Cantus Idol grosses \$102,245, based on the weighted average of the last five events (and, coincidentally, almost exactly equal to FY18’s total, and \$13K under FY19).</li> <li>• A fall season launch – reminiscent of the Lake Como event – that has a very modest revenue goal.</li> <li>• A streamlined Cantus Valentine returns to (hopefully) engage national donors. To be conservative with this experiment, the total of just under \$17,000 is half what was generated in FY21.</li> </ul>
c. Foundation Grants		<ul style="list-style-type: none"> <li>• Includes current funders at levels equal or – in the case of a recent increase – slightly less than their most recent grant.</li> <li>• Excludes Target, Wenger, Knight, McKnight, and Fredrikson &amp; Byron foundations.</li> <li>• Does not include new prospects, though we will certainly pursue new opportunities.</li> </ul>
d./d.1. Government Grants	Funds from the National Endowment for the Arts and Minnesota State Arts Board, as well as a one-time tax credit	<ul style="list-style-type: none"> <li>• The \$145K number comprises two pieces:             <ul style="list-style-type: none"> <li>○ A \$25K pending application to the MSAB to support the chamber series in Summer 2023. Notification will be in Oct./Nov. 2022.</li> <li>○ One-time opportunity to pursue \$120K net in tax credit. (Based on a conversation earlier this year, it would be \$150K gross, minus nearly \$30K in fees.)</li> </ul> </li> <li>• The \$103K in “d.1.” comprises NEA and MSAB funds that will/are pledged this year.             <ul style="list-style-type: none"> <li>○ NEA has already pledged \$30K for work next FY.</li> <li>○ MSAB just this week pledged \$73,515 for work next FY.</li> </ul> </li> </ul>
e. In-Kind	The relationship with Westminster that provides Cantus with rehearsal space, parking, etc.	<ul style="list-style-type: none"> <li>• The \$40K figure may well shift ... but with no net effect on the bottom line.</li> </ul>

Cantus FY23 Budget Narrative  
 July 2022

f. Ticket Sales	Gross revenue from “home” concerts (fall, Christmas, spring, Covers, summer chamber), both in-person <i>and</i> online	<ul style="list-style-type: none"> <li>• Assumes that Cantus returns to a five- (rather than six-) concert subscription series.</li> <li>• In-person:             <ul style="list-style-type: none"> <li>○ Most ticket prices increase by \$2 each – but pay-what-you-can option remains at one concert of each series.</li> <li>○ For fall, Christmas, and spring: Attendance calculated on a weighted average of the last six years of attendance – and then another 25 percent is shaved off to acknowledge those who have yet to return to concert halls. (This year, we were 23 percent under where we would otherwise have been based on my weighted-average approach.)</li> <li>○ Christmas drops Apple Valley due to low attendance, but keeps Rochester and adds Capri in North Minneapolis in an effort to grow audiences in these communities.</li> <li>○ Covers acknowledges this year’s slow sales by calculating the weighted average of pre-pandemic years, but favoring FY22’s lower numbers by a ratio of 3:1.</li> <li>○ Summer chamber is currently based on 25 percent less than pre-pandemic attendance.</li> </ul> </li> <li>• Online concerts: Estimates based on FY22 actuals.</li> </ul>
g. Management Booking	Tour dates booked by IMG or MKI, or – still – rescheduled dates from Alliance.	<ul style="list-style-type: none"> <li>• As of July 20, we have confirmed or contracted gross bookings of \$240,500 for next season.</li> <li>• Between MKI and IMG, there are two pending dates: Terre Haute, Indiana; and Montgomery, Alabama. Our average booking rate for next season is \$13,500; I’ve lopped 25 percent off to be conservative, and – with the resultant \$10,125 – assumed that half of the pending dates ultimately come through. (So \$10K in pending revenue is factored in here.)</li> </ul>
h. Self Booking	Misc. concerts that we coordinate for ourselves or book ourselves, but	<ul style="list-style-type: none"> <li>• The biggest driver here is the collaborative concert with Cantus Norway. I’ve assumed we sell the O’Shaughnessy to only half capacity (approx. 830 tix) – which is more than the Lorelei collaboration but less</li> </ul>

Cantus FY23 Budget Narrative  
 July 2022

	exist outside the core subscription season: i.e., the annual collaborative concert, assorted bookings through MPR	<p>than Sweet Honey or Chanticleers I &amp; II. However, I am still tinkering with price levels. Online audience assumed to be our FY22 non-Christmas average, plus a 20 percent boost from Cantus Norway’s fans.</p> <ul style="list-style-type: none"> <li>• Also includes misc. engagements like a second Rochester education event (\$6K confirmed); appearance with MPR at the State Fair (\$5K pending); and a concert on Lakewood Cemetery’s series (\$3K).</li> </ul>
i. Sales	Primarily CD sales, with some sheet music sales from Graphite Publishing	<ul style="list-style-type: none"> <li>• This is, admittedly, a placeholder. On one hand, album sales are dwindling. However, I suspect the Christmas 2022 release – <i>Into the Light</i> – will sell well, and the gradual resumption of touring correlates to higher sales as well.</li> </ul>
j. Misc. – for discussion with the finance committee		<ul style="list-style-type: none"> <li>• \$60K in McKnight funds released from board designated.</li> </ul>
k. Personnel	Ensemble and staff salaries and benefits	<ul style="list-style-type: none"> <li>• Salaries line includes a 5 percent COLA in August and an additional 2.5 percent COLA in January to acknowledge high inflation.</li> <li>• Benefits assume that BlueCross premiums increase at a rate of 5.28 percent, or the weighted average of the last five years. Dental insurance assumes a 2 percent increase.</li> <li>• Benefits also assume that 403b match remains at 4 percent and roughly the same number of employees choose to participate.</li> <li>• Payroll taxes calculated proportional to salaries line.</li> <li>• <i>Strategic plan provisionally assumes we hire one FT employee and one PT employee in January.</i></li> </ul>
l. Accounting	Audit	<ul style="list-style-type: none"> <li>• MUCR will raise their rates to \$11,000.</li> </ul>
m. Artistic	Misc. artistic expenses like commissioning, composer competition, sheet music, etc.	<ul style="list-style-type: none"> <li>• Commissioning line includes \$10K for a new work (or similar ensemble-designated project)</li> <li>• Category includes \$40K in-kind balance for rehearsal space at Westminster.</li> </ul>
n. Other Contracted Service	MKI/IMG/AAM commissions, artistic	<ul style="list-style-type: none"> <li>• Commissions move in tandem with tour bookings</li> </ul>

Cantus FY23 Budget Narrative  
 July 2022

	contractors, videography fees	<ul style="list-style-type: none"> <li>• Flight Creative Media for fall, Christmas, spring, Covers, and summer chamber (also, videography in non-union halls is more cost-effective)</li> <li>• Audio engineer and producer for two albums</li> <li>• Also includes Cantus Norway, Covers and Chamber instrumentalists</li> </ul>
o. Rent	Office rent, plus basement storage unit	<ul style="list-style-type: none"> <li>• Base rent is outlined in our contract, though building fees/maintenance is slightly variable.</li> </ul>
p. Travel	Flights, ground transportation, hotel (when applicable), and per diem for ensemble while on tour	<ul style="list-style-type: none"> <li>• Based on precedent, 32 percent of gross tour bookings. FY23's slightly denser touring – i.e., fewer one-offs – should foster greater efficiency, making this attainable even with rising inflation.</li> </ul>
q. Conference, Convention, and Meeting	Venue rental and catering for special events/fundraisers	<ul style="list-style-type: none"> <li>• The primary cost driver is Idol expenses; Zac has identified an exciting (and cost-sensible!) new venue to replace Aria, which was sold recently.</li> </ul>
r. Rentals, rehearsals, and events	Venue rental for concerts	<ul style="list-style-type: none"> <li>• Includes all concerts, plus HSR venue rental and recording venue(s)</li> </ul>
s. Volunteer/staff appreciation	Professional development opportunities	<ul style="list-style-type: none"> <li>• Placeholder number for item included in strategic plan.</li> </ul>
t. Marketing	Paid promotion, advertising, PR, etc.	<ul style="list-style-type: none"> <li>• Steep drop is due to reclassification of expenses (direct mail, printing program books, most videography, etc.)</li> </ul>
u. Dues and Fees	Primarily PatronManager fees tied to ticketing, plus dues to Chorus America and BlueFin credit-card processor	<ul style="list-style-type: none"> <li>• PatMan fees range between 7 and 12 percent of in-person tickets, and up to 15 percent of online tickets.</li> <li>• However, several years ago we implemented a processing fee that called upon ticket-buyers to help defray the fees. To my surprise and gratitude, this did not elicit pushback from ticket-buyers.</li> <li>• However, however: we do not include PatMan processing fees for pay-what-you-can concerts, as that seems to go against the spirit of the endeavor. (“Thanks for purchasing a \$5 pay-what-you-can ticket. That will be \$7.”)</li> </ul>

Cantus FY23 Budget Narrative  
July 2022

v. Misc. Expense	TBD	<ul style="list-style-type: none"><li>• An acknowledgement that the tactics of strategic plan are still being developed, and thus may incur an unexpected expense.</li></ul>
------------------	-----	--